Section 35AD of Finance Act

1270. SHRI JAI PRAKASH NARAYAN SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that with the insertion of section 35 AD in the Finance Act, 2009, Reliance Gas Transportation Infrastructure Ltd. (RGTIL), would benefit to the tune of Rs. 20000 crores;

(b) if so, the reasons for allowing such a largesse to a single company;

(c) what would be the total benefit to the industry as a whole with the insertion of section 35AD; and

(d) how does Government proposes to bridge this huge revenue loss?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Section 35AD has been inserted in the Income Tax Act with effect from 1.4.2010. It is applicable for incomes arising in the current financial year. Deductions will be available prospectively to any company which fulfills the necessary conditions. Any company which fulfills the necessary conditions will be benefitted as per the provisions of the section.

(c) Section 35AD has been inserted in the Income Tax Act with effect from 1.4.2010 and is thus applicable only from the current financial year. This section will promote investment by industry in the following areas:-

(i) Setting up and operating a cold chain facility;

(ii) Setting up and operating a warehousing facility for storage of agricultural produce;

(iii) Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network.

(d) Section 35AD allows an undertaking to claim the entire capital expenditure as deduction in the year in which it is incurred. This expenditure would otherwise have been allowable to the entity as depreciation in subsequent years. This would result only in the postponement of tax liability. The amendments through annual finance Bills also contain provisions to enhance or augment revenue collection besides provisions for tax benefits though there cannot be a direct correlation between the two. The Government has undertaken additional revenue generating steps such as increase in the prescribed rate of Minimum Alternate Tax in the Income Tax Act with effect from 1.4.2010.

Meeting the target of agriculture credit

1271. SHRIMATI JAYANTHI NATARAJAN: Will the Minister of FINANCE be pleased to state: